

MINUTES OF THE UNEMPLOYMENT INSURANCE BOARD MEETING
MARCH 5, 2008
INDIANA GOVERNMENT CENTER SOUTH
10 N. SENATE AVENUE, ROOM 301 A
INDIANAPOLIS, IN 46204

Members present were Samuel Schlosser, President; Dave Thomas, Vice-President; Barry Baer; Paula Presnoples; Kevin Tully; Joe Evans; Kent Tolliver; Randy Maxwell. It was acknowledged that a quorum was present. Also in attendance were Teresa Voors, Commissioner; Scott Sanders, Chief Financial Officer; John Ruckelshaus, Deputy Commissioner of Governmental Affairs.

The meeting was called to order by Sam Schlosser at 10:06 am.

Mr. Schlosser welcomed the following guests, Brian Burton, Indiana Manufacturer's Association; George Raymond, Indiana Chamber of Commerce; and Randy Gillespie, Budget Director of Indiana Department of Workforce Development.

COMMISSIONER'S REPORT:

Commissioner Voors began the meeting with information regarding the Department's key initiatives for 2008. She informed the board that one of our main focuses for the upcoming year is the solvency of the UI Trust Fund. She personally thanked members of the Subcommittee for their participation in this effort on behalf of Governor Daniels.

Ms. Voors then informed the Board that we are also focusing on revamping our WorkOne centers throughout the State, with help from our State Workforce Innovation Council Board. We have already seen full integration in our Fort Wayne WorkOne offices in Region 3. They are on the cutting edge of customer service, where all employees are being trained to serve any and all clients seeking services. Ms. Voors suggested the Board members meet at the Fort Wayne office in the future to tour the fully integrated site. She then gave a brief history of WorkOne services before integration, where you had to be specifically trained in only one function of the UI process, which did not meet the needs of customers. Now when customers enter the door for services, they are greeted by a Welcome Team who will then help them with the services they need, receive a skills assessment, and then be matched with a case manager. The goal of the fully integrated WorkOne offices is to be able to serve a larger number of clients and get them into training programs and jobs that will increase their earning power.

Commissioner Voors also reported that we have a name for the new job matching website system, which is www.IndianaCareerConnect.com and www.IndianaCareerConnect.in.gov. Ms. Voors expressed that she would like the Board members to receive a demonstration of the new website in the future, as many of them would be able to refer this site to fellow employers and employees. There will be a soft launch of the site in late summer, but Board members should feel free to visit www.employflorida.com, as the site design will be similar to our job matching website.

Mr. Schlosser asked if there were any questions.

Mr. Baer expressed interest in additional information regarding the use of debit cards for unemployment benefits to claimants. Ms. Voors informed him that they have been fully implemented to claimants. Mr. Sanders stated that we are working on a second option for clients to have the money direct deposited through the debit cards, which is currently an option only ACS, our debit card vendor, provides. Currently, ACS introduced a soft launch to customers who call in seeking additional methods of payment and by providing their routing number and checking account number; their weekly benefits can be direct deposited. Ms. Voors elaborated that the State did not want to be held liable for keeping personal information on file, but this way, ACS lets the customer handle their preferred method.

Mr. Schlosser asked if ACS profits from this type of transaction. Mr. Sanders responded that they do not profit from the individual, but do profit from the transfer to the bank, and the transfer usually takes place between 24-48 hours.

OLD BUSINESS:

Mr. Schlosser asked if everyone had reviewed the previous meetings minutes. Mr. Schlosser made a motion to accept the minutes from February 6, 2008 meeting, which was seconded by Mr. Thomas.

Mr. Baer stated changes he would like to see made to the Resolution from the February 6, 2008 meeting regarding the formation of the Subcommittee. The changes will be made by Board Clerk, Brianna Carvin, and an amended Resolution will be included in the minutes. Mr. Baer made a motion to accept the amended Resolution, which was seconded by Paula Presnoples. There was unanimous approval by all Board members.

NEW BUSINESS:

Mr. Sanders began with a review of the Unemployment Insurance Data Summary, a copy of which is included in the minutes. He noted that Initial Claims had decreased from last week, possibly due to the return to work in the construction industry. Mr. Sanders is watching the number of these claims as many key companies begin their mass lay-offs, in which we could see an upswing in the number of initial and continued claims. He also pointed to the 8-Week Moving average on the Summary. There is an increase in all claims from 2007, noting that many of these individuals have become TAA certified and file for unemployment for the full 26 weeks.

Mr. Sanders then pointed to the Continued Claims graph, a copy of which is included in the minutes. He will continue to monitor the continued claims, as they have shown a small increase since the beginning of February. He then noted the benefit exhaustions, which are trending below 2007 exhaustions. Mr. Sanders stated that we are out of the busy claim reporting season and our vouchers with issues are declining. He has changed

the working hours of claims staff to 40 hour work weeks and is currently setting up day training sessions to help them better adjudicate claims.

Mr. Baer asked what the current backlog number is for claims processing. Mr. Sanders stated that the number of vouchers with issues is roughly 12,000, down from 16,000-18,000 last year. He is hoping to get the number below 8,000 claims. Mr. Baer then asked what the Federal benchmark is for claims processing. Mr. Sanders reported that the Federal requirement is 75% processing within 21 days. Last year, the department achieved only 30%; currently, they are at 50% processed in a timely manner, and have set the goal at 80%. As he mentioned earlier, they are undergoing training which will help them process claims more timely. There are other issues within the department that are also being addressed.

Mr. Baer then asked if DWD was going to be utilizing Indiana University Law students as Administrative Law Judges this summer. Mr. Sanders stated that they would, and are hoping this will decrease the appeals backlog. We are also currently instituting telephonic appeals instead of claimants having to drive to Indianapolis for their hearing.

Mr. Baer then asked about the completion rate of the Unemployment Insurance Modernization project. Mr. Sanders informed him that there are core pieces that are still being brought up to speed, including the information related to the UI Tax department. We are still planning on going live by the end of 2008, which will be followed by a 90 day review period where they will be able to make all adjustments and enhancements. He also noted they will seek a legislative push to force employers to file online. Mr. Baer asked why the push needed to be legislative, to which Mr. Sanders explained the need for it to be a law requiring employers to file online. Discussion ensued.

Mr. Sanders then moved to the Labor Market Discussion, where he informed the Board that the preliminary numbers for January 2008 would not be available until March 11 and will be forwarded to the Board when this information becomes available.

Mr. Sanders then reported on the status of the Trust Fund. During their Subcommittee meeting this morning, he handed out the weekly Trust Fund forecast, prepared by Randy Gillespie. He reported that April through May is when the Trust Fund receives its highest amount of payments. He stated that as of today, the balance is \$179 million. It is projected to continue to fall to roughly \$173 million by the end of the week. In the next two weeks, the balance should fall to \$150 million with its lowest projected balance the week of April 18 of \$100 million. We must maintain \$35 million for the Reed Act Fund obligations. Mr. Gillespie stated that every 2,500-3,000 employees cost \$1 million in unemployment benefits. Mr. Sanders notes that as the construction employees return to work, the number of claims will decrease, taking fewer funds from the Trust Fund balance.

Mr. Baer expressed concern that any up tick in claims could reach the \$100 million mark faster than expected. Mr. Sanders asked that we not forget the payments coming in to the Fund. He suggested the UI Board conduct conference calls, in addition to the weekly

update of the Trust Fund he will send via email. It would be difficult to arrange a meeting each time the Fund is below \$150 million as originally planned. He then turned it over to Mr. Baer for a report on the Subcommittee meeting.

Mr. Baer reported that the Subcommittee met this morning along with representatives from the Department and the Indiana Manufacturer's Associate. The Subcommittee discussed the current situation, the objectives for the Subcommittee, the resources that are available and the plan of action. All meetings will be open to the public. The current timeline established by the Subcommittee is due to further analysis in April; review the structural issues in May and June; review possible solutions in July and August along with refinement; and use September and October to draft a report and legislative changes for the Board to be presented in November.

Mr. Baer added that the Subcommittee meetings are open to all UI Board members. Mr. Sanders noted that he would send the information reviewed in this morning's meeting to all UI Board members. Mr. Schlosser requested to be notified of all meetings, and Commissioner Voors also asked that all meetings be posted as public notices.

Mr. Sanders then touched on the Penalty and Interest Fund, which currently has a balance of \$26 million, but there are other groups that have use of these funds, including Major Opportunities. Discussion ensued. Other possible uses for this fund are additional training programs and proposed legislative changes.

Mr. Sanders then discussed general options for retaining the solvency of the Trust Fund. He stated that we cannot borrow from the Federal government until the balance hits \$35 million, which must remain for the Reed Act obligations. We could also tap into state funds for a short term cash need in order to keep the lending in-state. Mr. Gillespie also suggested letting the balance replenish itself after that point.

Mr. Schlosser asked if it was possible that we would be low enough to have to borrow in April. Mr. Sanders replied that the balance would most likely be \$113 million in April and we could continue to send out weekly email updates of the balance. Mr. Schlosser asked if we should rescind the \$150 million meeting requirement and instead plan a discussion for the next Board meeting. Mr. Baer agreed, but noted that if there are sudden depletions of the balance prior to the scheduled April Board meeting, we would set up a meeting or conference call at that time. Mr. Gillespie suggested that if the balance falls below \$100 million the Board should reconvene. Mr. Baer agreed and Mr. Schlosser stated that it was so moved upon agreement by all Board members.

PRIVILEGE OF THE FLOOR:

Mr. Baer noted that the amended Resolution regarding the Subcommittee formation as well as additional Board member expenses. How will we pay for such meetings, phone calls, etc. Mr. Sanders noted that we will research a no cost option for telephone conferencing for all Board members, possibly a toll free company.

Mr. Baer asked how to use the \$30 million in the Penalty and Interest Fund, and on what projects should this money be spent. Ms. Voors stated that the funds are to be used for training purposes and would require legislative changes for other uses. It is currently being used mainly for the Major Opportunities program.

Mr. Ruckelshaus gave an update on House Bill 1219 which is currently in the conference committee now. Ms. Voors stated again that we need legislative action for training. The department will come to the UI Board next year with suggestions.

Mr. Schlosser then moved to the Resolution created on March 5 regarding the allotment of dollars to fund the UI Board. It had last been amended in March 2007. Currently, it allots only \$15,000 for the year, but with a full Board, we have made changes for additional funds. Mr. Schlosser made a motion to approve, which was moved by Mr. Baer and then seconded by Mr. Thomas. All Board members were in favor of the Resolution.

Mr. Schlosser then moved to discuss the UI Board Annual Report. Mr. Sanders informed the Board that Board Clerk, Brianna Carvin is currently working on the report and should be prepared to present at the April 7, 2008 Board meeting.

Mr. Baer questioned the departure of Tom Hargrove, whose term expires March 31, 2008. Mr. Ruckelshaus noted that we are actively seeking a replacement. Mr. Sanders also noted that Mr. Baer has agreed to continue to serve on the UI Board for another term.

ADJOURNMENT: Mr. Schlosser moved to adjourn at 11:06 am, and it was approved.